

AR52



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With the publication of this Annual Report comes the introduction of a new symbol for the Company. The familiar trade mark (shown left) has been modified from time to time in order to show up-to-date telephone instruments, the most recent change having been made in 1954.

In recent years the Company has augmented basic local and long distance telephone service by meeting an ever-widening range of telecommunications needs. As a result a new symbol (shown right) has been adopted. The incorporation of the Company's initials makes for quick identification where appropriate — such as stationery, vehicles and buildings. The overall design is in the shape of the electronic technician's oscilloscope, symbolizing modern telecommunications.

The adoption of this symbol and the new and distinct Company color will underline the uniqueness and distinction that mark the Company's telecommunications services in the expanding economy of Nova Scotia.

MARITIME TELEGRAPH & TELEPHONE COMPANY, LIMITED



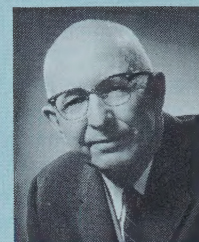
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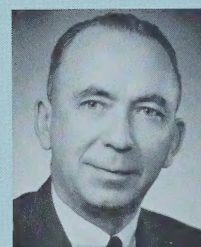
MARITIME

Head Office

DIRECTORS



***A. MURRAY MacKAY**
Chairman of the Board
Maritime Telegraph &
Telephone Co., Ltd.
Halifax



***A. GORDON ARCHIBALD**
President
Maritime Telegraph &
Telephone Co., Ltd.
Halifax



***DONALD W. MYERS**
Vice-President and
General Manager
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

STOCK TRANSFER OFFICES

Maritime Telegraph and Telephone Company, Limited
1520 Hollis Street, Halifax, N. S.

Eastern & Chartered Trust Company
625 Dorchester Blvd. West, Montreal 1, Que.

Eastern & Chartered Trust Company
34 King Street West, Toronto 1, Ont.

STOCK REGISTRAR

The Halifax, Montreal and Toronto offices of Eastern & Chartered Trust Company are registrars of common shares of the capital stock of the Company.

COMMON SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange



W. STRUAN ROBERTSON
Vice-President—Finance
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

TELEGRAPH & TELEPHONE COMPANY, LIMITED

1520 Hollis Street, P. O. Box 880, Halifax, Nova Scotia, Canada, Telephone (Area Code 902) 455-7281



GARNET L. ANGUS
President
Angus Fuel and
Transportation, Ltd.
Amherst
appointed May 19, 1966



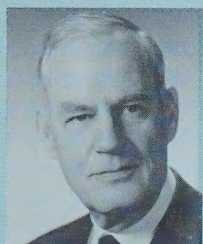
***DONALD F. ARCHIBALD**
President
Archibald Farms Limited
Port Williams



MELBOURNE R. CHAPPELL
Vice-President
Island Construction
Company, Limited



***FOSTER H. DOYLE**
Former Vice-President
Maritime Telegraph &
Telephone Co., Ltd.
Halifax
resigned March 18, 1966



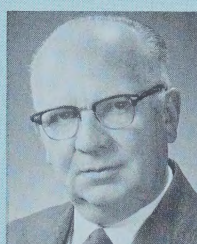
JAMES A. HOBBS
Executive Vice-President
The Bell Telephone
Company of Canada
Montreal



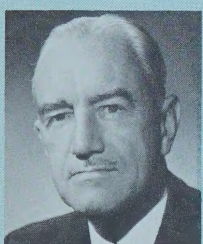
SEYMOUR W. KENNEY
President
Kenney Construction
Company
Yarmouth



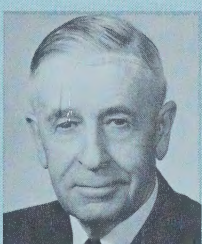
ALEXANDER G. LESTER
Executive Vice-President
The Bell Telephone
Company of Canada
Montreal
appointed Nov. 17, 1966



***CLARENCE J. MORROW**
Chairman
Ocean Fisheries Ltd.
Lunenburg



EDWARD A. ROLPH
Executive Vice-President
The Bell Telephone
Company of Canada
Montreal
resigned Oct. 27, 1966



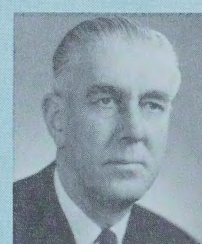
***FRANCIS D. SMITH, Q. C.**
Partner
Burchell, Smith, Jost,
Burchell and Chisholm
Halifax



***PERCY J. SMITH**
Vice-President
Pitfield, Mackay &
Company, Limited
Halifax



FRANK H. SOBEY
Chairman of the Board
Sobey Stores Limited
Stellarton



***CHARLES E. STANFIELD**
Vice-President
Stanfield's Limited
Truro

OFFICERS

A. Murray MacKay	Chairman of the Board
A. Gordon Archibald	President
Donald W. Myers	Vice-President and General Manager
W. Struan Robertson	Vice-President—Finance
A. James Unsworth	Secretary and General Counsel
Stuart P. Conrod	Treasurer
Stephen E. Jefferson	Comptroller
Frederick M. Waller	Executive Assistant

OPERATIONS

G. Kendall Foster	General Plant Manager
Alexander H. MacKinnon	Chief Engineer
G. Donald Robb	General Traffic Manager
Murray W. Wallace	General Commercial Manager

The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N. S., on Friday, the 17th day of March, 1967, at twelve o'clock noon. Notice of the meeting and proxy form have already been mailed to shareholders.

PRESIDENT'S REVIEW FOR 1966



In many respects 1966 was one of the most eventful years in the history of the Company. The three most important developments during the year were the general rate increase, the accelerated program of expansion and modernization and the Bell Canada share exchange.

It became evident in 1965 that a rate structure established in 1952 was not providing an adequate return on rate base. Nor would it produce the revenue required to carry the increased capital expenditures and operating expenses that would result from the proposed accelerated program of expansion and modernization. Accordingly, the Company sought, and was granted, an upward revision in rates, primarily for local service and to a much lesser extent for long distance service. The new rates, which became effective on May 1, 1966, are designed to increase gross revenues to the extent of approximately 12% on an annual basis. This revenue increase is less than the approximate 20% increase in the cost of living that has taken place since the Company's last general rate increase in 1952.

I am pleased to report that the rate of return on rate base for 1966 was 6.3% compared to 5.6% in 1965. In terms of total capital, the rate of return was 7.2% compared to 6.3% in 1965. Earnings per average common share during 1966 amounted to \$1.44, an increase of 26¢ or 22% over the \$1.18 earned in 1965.

Thus, the new rates have helped to restore earnings to a sounder level. However, more than one-half of the 17.6% increase in operating revenues achieved during 1966 was due to a higher volume of business. Good planning and careful expense control also played a major role in the earnings improvement.

In December the Board of Directors decided to increase the common share dividend from 23¾¢ to 27½¢ per share per quarter. On an annual basis this would indicate a rate of \$1.10 per share compared to the former rate of 95¢. The increased rate became effective with the payment, on January 16, 1967, of the dividend for the last quarter of 1966.

The improved earnings have enabled the Company to embark on its greatly accelerated program of expansion and modernization. Capital expenditures in 1966 amounted to \$17,956,409, a record increase over the \$11,959,274 expended during 1965 and yet less than the \$21,000,000 the Company plans to expend in 1967. Further details of capital spending and other aspects of the accelerated program are presented in other sections of this report.

Such substantial capital expenditures require that the Company be financially strong to protect the interests of the investor, the employee and the subscriber. Financial strength is required to attract new capital at reasonable costs so that more and better services can be provided at the lowest possible charges to customers. It is essential to assure stability of employment and to provide the conditions that will attract and hold capable employees.

In August The Bell Telephone Company of Canada, for purposes of control, offered three Bell Canada shares in exchange for five Maritime common shares up to a maximum of approximately 1,485,000 shares or 51% of the voting shares of the Company.

As a result, The Bell Telephone Company of Canada acquired 1,495,457 Maritime common shares, which, when added to the 191,153 Maritime common shares already owned by Bell Canada, constituted 51% of the shares of the Company.

On September 10, 1966, at a special session of the Legislative Assembly of the Province of Nova Scotia, the Company's Act of Incorporation was amended by the inclusion of provisions dealing with voting privileges. These new provisions stipulate that 1,000 is the maximum number of shares for which votes may be cast at all shareholders' meetings by any one shareholder or group of associated shareholders. Accordingly, shareholders owning more than 1,000 shares shall be entitled to 1,000 votes; those who own 1,000 shares or less shall be entitled to one vote per share.

Insofar as control of the Company is concerned, the situation is therefore substantially the same now as it was prior to the Bell Canada share exchange.

The year 1966 was one of progress in the Company's service to its customers, and in any service industry progress must always depend upon employees. The dedication, integrity and abilities of employees assure that the Company will continue to move forward in the years ahead. Their qualities—known to me personally—have been effectively demonstrated throughout the Province of Nova Scotia. As in the past, employees were guided during 1966 by a desire to serve customers as they themselves would like to be served. How this was accomplished and how it will be furthered in the coming years are set forth in this report.

February 10, 1967.
Halifax, N. S.

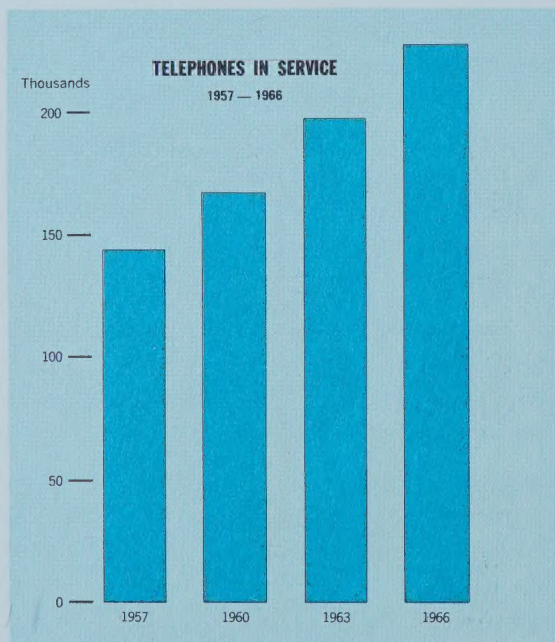


IN BRIEF

	1966	1965	% Increase
Construction Expenditures	\$ 17,956,409	\$ 11,959,274	50.1
Telecommunications Plant and Equipment	128,492,251	114,132,445	12.6
Per Telephone	565	522	8.2
Accumulated Depreciation	33,099,671	30,244,614	9.4
Financing — Common Stock	6,669,988	843,810	—
— Bonds	—	7,000,000	—
Internal Source of Funds	11,245,396	9,636,376	16.7
First Mortgage Bonds	36,000,000	36,000,000	—
Preferred Stock	1,500,000	1,500,000	—
Common Stock, Premium & Retained Earnings	52,119,736	44,128,813	18.1
Shareholders' Equity per Common Share	16.37	15.74	4.0
Operating Revenues	28,570,965	24,287,499	17.6
Operating Expenses	17,748,160	15,744,290	12.7
Operating Taxes	4,896,131	3,807,535	28.6
Income Available for Common Dividends	4,297,029	3,235,953	32.8
Dividends on Common Shares	2,946,650	2,602,051	13.2
Income per Average Common Share	\$ 1.44	\$ 1.18	22.0
Return on Total Capital	7.2%	6.3%	—
Return on Rate Base	6.3%	5.7%	—
Telephones in Service	227,270	218,533	4.0
Percent Dial Operated	87.9%	87.1%	—
Number of Local Calls	451,160,600	419,746,000	7.5
Number of Long Distance Messages	11,187,823	10,768,453	3.9

SERVICE EXPANSION AND IMPROVEMENT

In 1966 the Company expanded and improved its whole range of communications services—increasing their usefulness and value to customers. The telephone network was enlarged to bring the total number of telephones in service at year end to 227,270. Local calls averaged 1,346,750 per day, an increase of 7.5% over 1965. Long distance volume was up 3.9% to a daily average of 33,395. The number of long distance calls continues to increase year by year despite the fact that more calls formerly classified as long distance are being handled as local calls under Extended Area Service (EAS) plans. In the Kentville - Wolfville - Canning area, for example, where EAS was introduced late in 1965, the number of long distance calls among the three communities had been close to 400,000 per year. During 1966, more than 2,000,000 calls that would have been classified as long distance were handled as local calls under the Kentville - Wolfville - Canning EAS plan.



But the telephone alone is no longer characteristic of the Company's complete operation. The traditional concept of local and long distance calling is now being augmented by the broader concept of total communications—the continual improvement of basic facilities and the ever widening range of other telecommunications services.

During 1966 this broader concept of modern communications was demonstrated with the initiation of trans-Atlantic voice and video transmission via the Department of Transport's Earth Satellite Tracking Station at Mill Village, Nova Scotia, which involved the use of new microwave facilities, built and maintained by the Company, northward across the Province. And the advent of color television in Nova Scotia resulted in the modification of video equipment associated with Company microwave facilities to carry color in addition to black and white television programs for both national broadcast networks.

The Company's ever expanding capability of providing much more than bare-bone tele-



Company technicians set up closed circuit TV for customer

phone service was further evidenced by the provision of closed circuit television systems for a number of customers, additional private mobile radio systems to serve the needs of other customers, DATA-PHONE service—transmission of information between many kinds of business machines using the regular telephone network—and a broad range of other services and facilities to meet the many and varied communications needs of customers.

In a mobile society such as now exists, people tend to expect the same high level of service wherever they may be. In view of this, the Company, during 1966, moved forward in major programs designed to extend the availability of urban type telephone service to non-urban areas.

In Brookfield, 344 telephones were converted to dial service and shortly after the end of the year Brookfield was combined with Truro in an Extended Area Service (EAS) plan so that long distance charges were eliminated on calls between the two communities. Similar EAS plans eliminated toll charges and thereby greatly increased calling volumes between Halifax-Dartmouth and Prospect and on an adjacent basis between Hubbards, St. Margaret's and French Village.

Dial service was also introduced in Prospect, Hubbards, St. Margaret's and French Village and, as well, the base rate areas in all four exchanges were enlarged so that hundreds of customers could secure individual and two-party line service without the payment of mileage charges. Similar base rate area enlargements were completed in Elmsdale and Sydney.

In total, residence customers' individual lines increased from 69.2% of all residence customers at the end of 1965 to 71.6% at the end of 1966. Ten years ago 49.5% of residence customers had one-party lines. Only 4.3% of the Company's residence customers now have two-party lines, compared to 20.5% ten years ago. The Company also made fur-

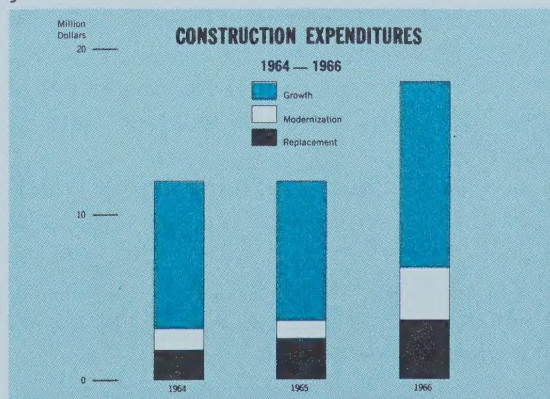
ther progress in its effort to improve rural service by further reducing the average number of customers sharing the same line.

CONSTRUCTION

Due to the Company's capital intensive nature, acceleration in the pace of service expansion and improvement requires acceleration in the rate of capital spending. The 1966 construction expenditure of \$17,956,409 was the largest in the fifty-seven year history of the Company. Moreover, the 50.1% increase over the \$11,959,274 expended in 1965 is the largest yearly increase on record.

Subject to a continuance of favorable conditions, this greatly increased rate of capital spending will not be reduced in the foreseeable future. In fact, it is expected that approximately \$100,000,000 will be expended from 1966 - 1970 inclusive, the first half of the Company's ten-year program of accelerated expansion and modernization.

The largest portion of the 1966 construction expenditures, \$11,163,000, was spent to expand service to existing and new customers. A further \$3,675,000 was expended to replace plant, equipment and facilities dedicated to the provision of existing services. The balance of \$3,118,000 was expended on service improvement projects and was more than double the amount spent for modernization during each of the two previous years.



The principal features of the service modernization program are as follows:

- (1) The conversion to dial service of the approximate 12% of the Company's telephones that are now served on a manual basis.
- (2) The continued extension of Direct Distance Dialing to the larger centers of the Province.
- (3) The establishment of more Extended Area Service plans between adjacent exchanges with consequent elimination of long distance charges.
- (4) The enlargement of base rate areas wherein service is provided at flat rates without additional mileage charges.
- (5) The reduction of the number of parties on rural lines to a goal of six or fewer.
- (6) The acquisition of as many of the remaining 122 small rural telephone companies as wish to be taken over.

Outside Plant — New outside plant — poles, wire, aerial and underground cable — was added in most exchanges to serve new customers and to improve service to existing customers. The largest concentrations of such additions were in Sydney, Elmsdale, Port Hawkesbury, Hubbards, St. Margarets and French Village. In Sydney and Elmsdale the additions were required to provide transmission facilities for the greatly increased number of one and two-party services, resulting from the enlargement of base rate areas. In the other four, new plant was required for dial service, the enlargement of base rate areas and the establishment of EAS plans.

Wires and cables are being placed underground wherever physical and economic conditions permit. In total, 40,052 circuit miles of aerial cable was erected and 23,365 circuit miles of wire and cable was buried or placed in underground conduit.

Microwave — The headline microwave project in 1966 was associated with the "Early-bird" Satellite Tracking Station at Mill Village, erected by the Department of Transport. A new Company microwave system — erected mainly in 1965 — was completed and cut into service during 1966. It provides ground communications for voice and video transmissions from the Tracking Station to the communications networks of Canada, the United States and beyond.

Perhaps less glamorous but nonetheless important was the introduction of relatively short haul microwave systems. One such system with a capacity of 72 voice circuits was installed between Halifax and Kentville.



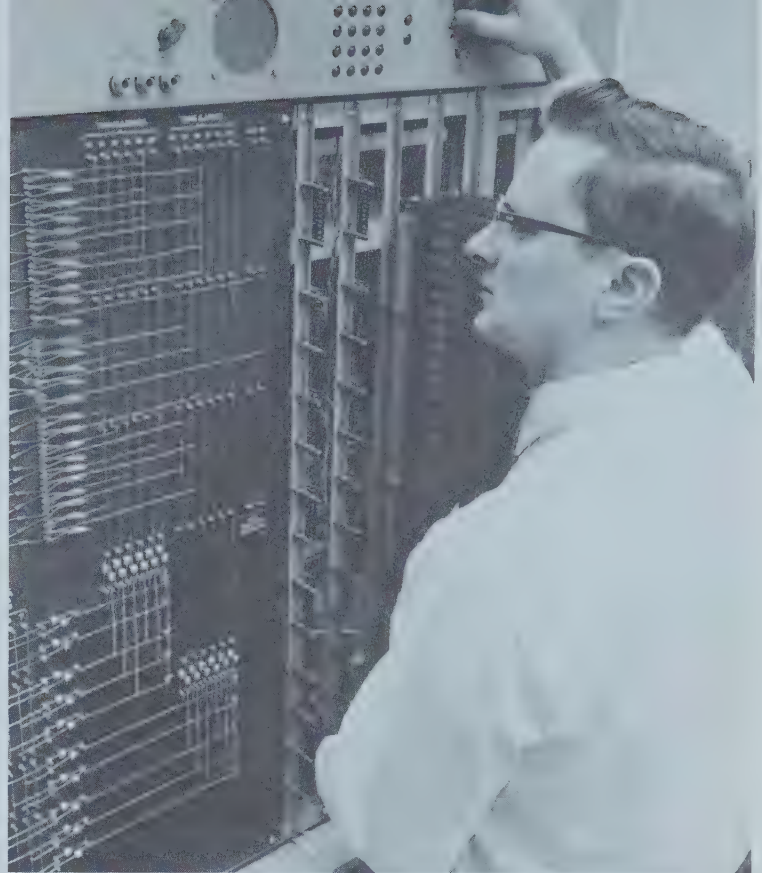
Microwave tower for short-haul transmission, Halifax-Kentville

Another was constructed between Halifax and Chezzetcook, with tower and radio relay installations at Harrietsfield and Chezzetcook. This system will provide the thirty-six circuits required for the conversion of Chezzetcook to dial service in February of 1967 and Direct Distance Dialing (DDD) on March 19, 1967. The Chezzetcook system is the first phase of a microwave radio relay network to serve the Eastern Shore section of Nova Scotia.

The circuit capacity of a number of existing microwave radio facilities was enlarged and substantial progress was made on the construction of a new microwave system on Cape Breton Island with tower sites at Baddeck and Barrachois. This latter system is required for the extension of DDD to Baddeck when this exchange is converted to dial in early 1968, and subsequently for DDD in Cheticamp and Inverness.

Dial — Five magneto offices, Brookfield, Prospect, Hubbards, St. Margaret's and French Village, were converted to dial service during 1966. Extensions to dial offices were completed at Sydney, Antigonish, New Glasgow, Truro, Elmsdale, Halifax, Sackville, Windsor, Wolfville, Riverport, Middleton, Bridgetown and Digby.

Direct Distance Dialing — Switching and other facilities and equipment were installed during 1966 for the extension of Direct Distance Dialing (DDD) to the Halifax-Dartmouth metropolitan area and an extensive adjacent area bounded by Hubbards to the West, Elmsdale to the North and Chezzetcook to the East. Testing and other final preparations are now underway. When the 93,000 telephones in the metropolitan and surrounding areas receive DDD on March 19, 1967, it will mean that 55% of the Company's telephones will be equipped for DDD. Since 1964, the 31,000 telephones in Sydney, Glace Bay, North Sydney, Sydney Mines and New Waterford have been so equipped.



DDD Automatic Number Identification training demonstration console

Other Central Office Equipment — To meet the requirements of increased long distance calling, extensions to toll switchboards at Yarmouth, Shelburne, Truro and New Glasgow were completed during the year and toll dial equipment was added to a number of offices.

The capacity of wire and cable facilities dedicated to toll service was increased by the installation of carrier equipment. Including microwave radio systems, 15,500 miles of long distance circuits were added during the year.

Buildings—New portable buildings housing automatic switching equipment were provided at Prospect, French Village and Chezzetcook. Metal buildings for microwave systems were erected at Kentville, Chezzetcook, Harrietsfield, Baddeck and Barrachois. A new Work Centre—a supply depot and headquarters for vehicles and installation forces—was

constructed in Dartmouth. Extensions to central office buildings were either completed or undertaken at Dartmouth, Glace Bay, Sydney Mines, Bridgewater and Yarmouth.

Connecting Companies — Since 1960, the Company, as part of its program to expand and improve service in rural areas, has assumed the responsibility of providing service in the territory of eighty-five former connecting companies. In order to provide service to the 4,087 customers involved, the Company has expended in excess of \$2,700,000 for the rehabilitation of plant facilities.

The 1966 program included the acquisition of eleven companies serving 230 customers over one hundred miles of territory. All of the connecting company plant was rebuilt or repaired, and service provided to 327 applicants at a cost of \$256,000.

While the additional revenue from these new customers has not been sufficient to cover the increased carrying charges, the benefits of more and better service in rural areas have accrued not only to rural customers but to the general body of telephone customers. More telephones have widened the scope of calling for all customers, and better service has improved transmission on both local and long distance calls.

The territory of the following connecting companies was taken over during 1966:

Birch Hill Mutual Telephone Company, Limited
Brentwood Mutual Telephone Company, Limited
Brookfield Mutual Telephone Company, Limited
Homeville Mutual Telephone Company, Limited
Melville Mutual Telephone Company, Limited
Mooseland Mutual Telephone Company, Limited
Pleasant Valley Mutual Telephone Company,
Limited
Port Lorne Mutual Telephone Company, Limited
Round Island Mutual Telephone Company,
Limited
Salmon River Mutual Telephone Company,
Limited
Seafoam Mutual Telephone Company, Limited

At the year end there were 122 connecting companies remaining in Nova Scotia, supplying service to 4,965 customers. As part of its program of accelerated expansion and modernization the Company is prepared to assume the service responsibilities of those remaining connecting companies that wish to abandon their territory.

MARKETING

The expansion of basic telephone service and associated features (colored sets, extension bells, etc.), is encouraged in many ways; by a consistent advertising program, by employee selling either planned or spontaneous, and by the provision of more and better service. The last is a prerequisite. In Prospect, for example, with the advent of dial service, base rate area enlargement and EAS with Halifax, the number of telephones increased approximately 50% and there was a fourfold increase in the number of one-party services.

Employees other than those whose special job it is to sell—installers and repairmen, for instance—were responsible for sales gains throughout the entire Province. Every employee is encouraged to consider himself or herself a sales representative.

The most concentrated marketing effort involves the sales staff, a group of highly trained service specialists which combines sales techniques with a full understanding of the broad range of telecommunications services supplied by the Company. Their primary assignment is to provide each business customer with the type of communication service that best meets the requirements of his specific operations, and their task continues to grow in importance with the development of new services and the increasing needs of business. The sales staff must first determine where new kinds of service and equipment will be most useful, and then successfully demonstrate to customers the value of these innovations. Significant headway in

this direction was made by the Company's marketing people during the year.

Private mobile radio telephone service continued to expand as 26 new customers were provided with this service. Revenue from private mobile amounted to \$390,000 during 1966 — a 99% increase over the comparable figure of \$196,000 in 1961.

The sale of the Company's first DATA-PHONE services was a highlight of the year. This service enables customers to transmit data between many kinds of business machines, using the regular telephone network.



High speed DATA-PHONE transmission links branch office with head office computer

In the area of private branch exchange (PBX) services, a new, medium-sized crossbar system with a capacity of 14 lines and 50 telephones proved to be extremely popular. Designed to meet the needs of today's high volume business, it has all the modern features to provide the most efficient telephone system available in this size range. Seventy such systems were installed throughout the Province during 1966.

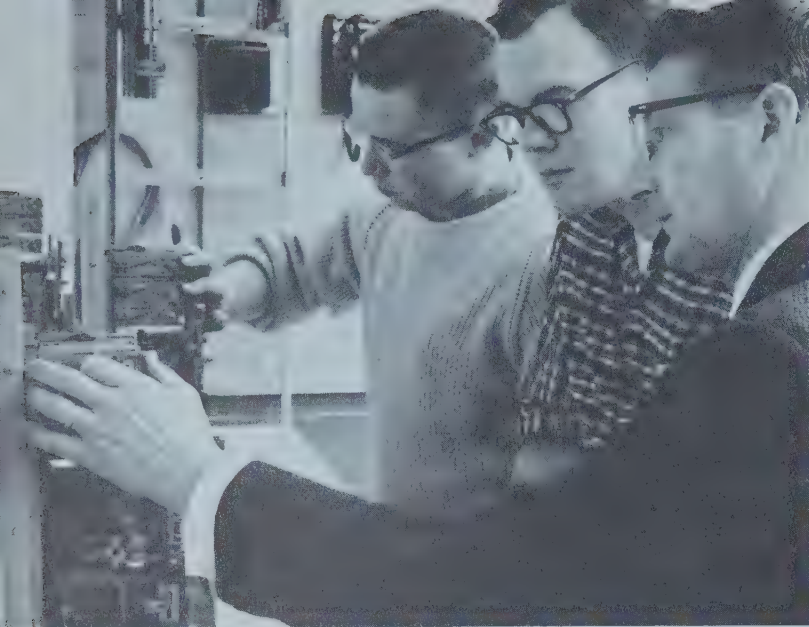
Another service called CENTREX designed for large organizations makes possible direct dialing to and from extension telephones, either from within or from outside the organization, and also keeps a record for accounting purposes of long distance calls made from extension telephones.

TWX, a dial operated teletypewriter switching system working at speeds up to one hundred words per minute, is likewise proving to be increasingly popular. A number of new TWX customers was added during the year.

Long distance message plans such as ZENITH and CALL COLLECT are gaining wider acceptance. Fifty-one new plans were sold during 1966 with a 16% increase in revenue.

Network program facilities were added for two new Canadian Broadcasting Corporation low power radio transmitters at Canso and Sable River during the past year; and facilities will be added for additional transmitters during 1967 at Sheet Harbour, Lockeport and Clark's Harbour. The sale, late in the year, of radio facilities for a new Armed Forces receiver site, will involve the construction of an additional microwave radio relay system during 1967.

Changes were made in the Company's marketing organization during the year. A full time Training Supervisor was appointed for the first time as was a Major Accounts Manager to co-ordinate projects and provide better service to some of the larger customers such as the Federal and Provincial Governments. Another administrative innovation was the adoption of a simplified packaging concept called "System Service" in connection with push button systems, dial intercoms, power plants, line holds and many other service offerings. This new "System Service" arrangement has found ready acceptance with customers who value its simplicity.



Training in practical skills in special Company classrooms



Visual Electronic Remote Blackboard (VERB) links Halifax classroom with out-of-province instructors

EMPLOYEES

The Company's accelerated program of expansion and modernization resulted during 1966 in a marked increase in the number of technicians and other craftsmen. As the scope, complexity and variety of the Company's telecommunication services grow, the knowledge and abilities of its personnel keep pace. Prerequisites for all levels of employment continue to increase, and so also do the Company's efforts in connection with the training and retraining of employees.

The expansion of classroom or off-the-job induction training for the new technicians and other craftsmen was one of the major developments during the year. Classroom courses of from seven to thirteen weeks' duration included theoretical training in mathematics, electricity, electronics and transistors, together with practical training in the use of various types of equipment and facilities.

Programmed self-training—a new technique employed primarily for theoretical training—was a highly successful feature of the induction courses for new employees. By this means, each trainee learns at the rate at which he is able to understand and absorb the material. Prior theoretical training is

taken into consideration in the determination of how much of the program a trainee requires. Supervision and instruction are minimized by the use of programmed training manuals, technical reference material, trainee tester cards and visual aids such as films.

This new learning concept was also employed in the retraining of other technicians and craftsmen and in the induction training of Traffic operators.

Other training activities during the year ranged from supervision, work organization and assignment training for clerical employees to induction training for 154 new management appointees.

Through the use of a new telecommunications service called Visual Electronic Remote Blackboard (VERB), a number of the Company's engineers were able to "attend", one-half day a week, a refresher course which originated from the Engineering Department of Queen's University in Kingston, Ontario. VERB enabled the instructor to transmit speech and illustrations to several classrooms in Eastern Canada simultaneously, and also enabled those in the distant classrooms to question the lecturer just as though they had been in the room where he was speaking.

Pay Rolls — At year end there were 2,531 employees, an increase of 191 over 1965. Wage payments for the year amounted to \$10,429,987.

Pensions and Benefits — As of January 1, 1966, the Company's non-contributory pension plan was integrated with the Canada Pension Plan. The result is a combination of Company and Government plans providing higher pension benefits for employees at moderate cost to the individual. Portability of pension benefits to employees 45 years of age with 10 or more years of service also became effective as of January 1, 1966.

Payments by the Company to its pension fund and to the Canada Pension Plan amounted to \$701,099 during 1966. The fund, which now totals \$12,901,709 is held by Eastern and Chartered Trust Company as custodian, solely for the purpose of providing pension benefits, from its income, for employees upon their retirement. Pension payments made during the year to 221 service pensioners amounted to \$360,538.

Total benefit payments by the Company, including payments into the Company's Pension Plan and the Canada Pension Plan, sickness benefits, death benefits, group insurance and the Blue Cross Supplementary Hospital Plan, amounted to \$898,515 or 8.6% of the total pay roll.

In addition, the Company paid \$18,127 for Workmen's Compensation, \$82,858 in Unemployment Insurance and \$240,387 in Old Age Security taxes for a total of \$341,372.

Stock Savings Plan — After one year of service, employees are permitted under the Stock Savings Plan to purchase common shares of the capital stock of the Company by pay roll deductions. At the end of the year, 1,285 or 70% of eligible employees, were saving for the future in this manner.

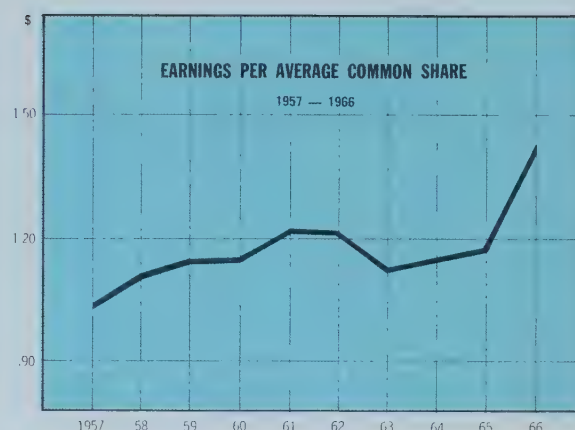
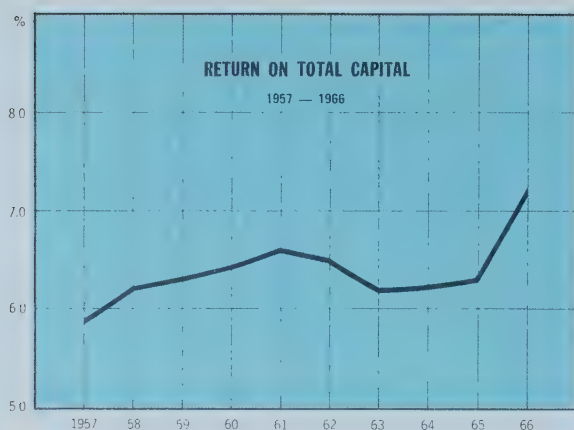
Labor Relations — During the year the Company reached agreement on revised contracts with the International Brotherhood of Electrical Workers which represents 700 Traffic operators and 725 Plant Craft employees. Agreement was also reached with the Telephone Employees' Association which represents 475 clerical and associated employees.

The Company and the Unions representing Company employees continued a long-standing practice of meeting regularly to exchange views on matters of mutual interest outside the bargaining process. Both Union and management representatives have found that this method of communication makes a useful contribution to mutual understanding.

Safety — The Company continues to provide its employees with information and guidance about safe practices on the job and elsewhere. Safe performance of work is of prime importance to the efficiency of the Company's business as well as to the welfare of its employees.

Safe driving habits continued to receive close attention with the result that the vehicle accident rate per 100,000 miles driven dropped from 1.69 in 1965 to .96 in 1966. The latest National Safety Council rate for communications utilities is 1.14. National Safety Council "Safe Driver" Awards covering periods of one to thirteen years of accident-free driving were presented to 321 employees, 104 of the awards having been for eleven to thirteen year periods.

The Company's overall safety performance during 1966 was evidenced by a frequency rate of 1.98 disabling injuries per 1,000,000 employee hours worked. This was a marked improvement over the 1965 frequency rate of 4.31, but still more than the National Safety Council rate of 1.19 for communications utilities.



FINANCIAL RECORD

In 1966, higher revenues brought a much needed increase in the Company's earnings. Total operating revenues reached \$28,570,965, up 17.6% from 1965. More than one-half of the increase was attributable to a higher volume of business. The balance was due to the new rate structure that became effective on May 1, 1966.

Total operating expenses increased 12.7% to \$17,748,160. Depreciation accruals of \$5,597,922 made up the largest single item of operating expenses, representing 32% of the total. The next largest item, maintenance expenses of \$4,695,558, represented 26% of the total.

Income available for interest and other charges amounted to \$6,161,410, up from \$4,933,978 in 1965. The return on total capital was 7.2% compared with 6.3% in 1965. After provision for interest and amortization of \$1,759,381 and dividends of \$105,000 on preferred shares, \$4,297,029 remained for the common shares, or \$1.44 on the 2,975,858 average common shares outstanding during the year as compared with \$1.18 on 2,738,792 shares in 1965.

Common share dividends for 1966 amounted to \$2,946,650. During the latter part of the

year, the common share dividend rate was increased from 23³/₄¢ to 27¹/₂¢ per share per quarter. On an annual basis this is at the rate of \$1.10 per share compared to the former rate of 95¢. The increased rate became effective with the payment, on January 16, 1967, of the dividend for the last quarter of 1966.

Compared with net earnings of \$4,402,029, Company taxes to all levels of government totaled \$4,896,131 in 1966 — equivalent to \$1.65 per share, or \$22.02 for each telephone in service. This amount does not include provincial tax on long distance calls which the Company collects from customers and remits to the Provincial Government, and which during 1966 amounted to \$546,536. Nor does it include sales taxes which the Company paid on materials purchased.

In May and June the Company offered shareholders, at a price of \$16 per share, one new common share for each seven shares held. Of the 416,714 shares offered, 413,023 or 99.1% were subscribed. The proceeds of \$6,600,000 were used for the extension and improvement of the Company's plant and equipment. Funds for capital purposes were also generated internally, primarily from depreciation accruals, retained earnings and deferred taxes.

DIRECTORS

Mr. Garnet L. Angus of Amherst, President of Angus Fuel and Transportation Limited, was appointed a Director on May 19, 1966, to fill a vacancy created by the resignation of Mr. Foster H. Doyle, a former Vice-President and General Manager of the Company, who resigned due to ill health.

Mr. Alexander G. Lester of Montreal, Executive Vice-President, Planning and Research, The Bell Telephone Company of Canada, was appointed a Director on November 17, 1966, to fill a vacancy created by the resignation of Mr. Edward A. Rolph of Montreal who retired on October 31, 1966 as an Executive Vice-President of The Bell Telephone Company of Canada.

The Directors record their appreciation of the valuable service rendered the Company by Mr. Doyle and Mr. Rolph.

ORGANIZATION CHANGES

The following organization changes took place during 1966:

D. W. Myers, Vice-President—Finance, was appointed Vice-President and General Manager on January 1, 1966.

W. S. Robertson, Secretary and General Counsel, was appointed Vice-President—Finance on April 1, 1966, replacing W. A. Logan who resigned to accept employment with Page Communications Limited, Washington, D. C.

A. J. Unsworth was appointed Secretary and General Counsel on May 16, 1966. Immediately prior to his appointment Mr. Unsworth was a partner in the law firm of Waterbury and Unsworth, Kentville, Nova Scotia.

F. M. Waller, General Supervisor, Rates and Development, was appointed Executive Assistant on April 1, 1966.

By every yardstick 1966 was an extremely successful year in terms of the progress it brought for customers, employees and share-owners alike. As a result, conditions are excellent for the continuation during 1967 of the accelerated program of expansion and modernization that was initiated in 1966.

For the Board of Directors

A handwritten signature in dark ink, appearing to read "A. S. Richardson", with a long, sweeping horizontal flourish extending to the right.

President

February 10, 1967

BALANCE SHEET As at December 31, 1966 (With comparative figures as at December 31, 1965)**ASSETS**

	1966	1965
	\$	\$
Telephone Plant		
Depreciable Telephone Plant in Service (Note 1)	125,208,627	112,357,280
Less Accumulated Depreciation	33,099,671	30,244,614
	<u>92,108,956</u>	<u>82,112,666</u>
Other Telephone Plant (Note 1)	3,283,624	1,775,165
	<u>95,392,580</u>	<u>83,887,831</u>
Investments		
Subsidiary Company (Note 2)	1,873,210	1,225,210
Other Investments (Note 3)	43,002	32,545
	<u>1,916,212</u>	<u>1,257,755</u>
Current Assets		
Cash	577,957	1,009,085
Temporary Cash Investments	—	1,225,000
Due from Subsidiary	39,747	558,283
Accounts Receivable (Note 4)	3,978,092	3,353,654
Material and Supplies, at cost	969,731	1,968,952
Prepayments (Note 5)	212,427	157,673
	<u>5,777,954</u>	<u>8,272,647</u>
Deferred Charges		
Special Refundable Tax	305,353	—
Unamortized Discount on Long Term Debt	268,831	286,987
Other Deferred Charges	190,042	146,079
	<u>764,226</u>	<u>433,066</u>
Total	<u>103,850,972</u>	<u>93,851,299</u>

Approved:	A. M. MacKay	A. G. Archibald
	Director	Director

MARITIME TELEGRAPH AND TELEPHONE COMPANY, LIMITED

LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965
	\$	\$
Shareholders' Equity		
Common Stock (Note 6)	31,847,730	27,676,420
Premium on Common Stock (Note 7)	10,761,425	8,262,747
Retained Earnings — Unappropriated	9,205,228	8,189,646
Retained Earnings — Appropriated	305,353	—
	<u>52,119,736</u>	<u>44,128,813</u>
Preferred Stock	1,500,000	1,500,000
	<u>53,619,736</u>	<u>45,628,813</u>
 Long Term Debt (Note 8)	 <u>36,000,000</u>	 <u>36,000,000</u>
Current Liabilities		
Note Payable to Subsidiary	200,000	—
Accounts Payable (Note 9)	1,344,011	1,846,633
Income Taxes Accrued	1,583,910	863,459
Interest Accrued	376,928	376,928
Dividends Payable	901,884	683,526
Other Current Liabilities	201,353	185,475
	<u>4,608,086</u>	<u>3,956,021</u>
 Deferred Credits		
Deferred Income Taxes (Note 10)	8,839,306	7,938,359
Employees' Stock Savings Plan (Note 11)	759,124	265,852
Other Deferred Credits	24,720	62,254
	<u>9,623,150</u>	<u>8,266,465</u>
 Total	 <u>103,850,972</u>	 <u>93,851,299</u>

The accompanying notes are an integral part of the financial statements.

INCOME**STATEMENT**

**for the year ended
December 31, 1966**

(with comparative figures
for the year ended
December 31, 1965)

	1966	1965
	\$	\$
Operating Revenues		
Local Service	15,087,361	12,917,491
Long Distance Service	12,751,839	10,672,741
Miscellaneous (Note 12)	860,368	804,609
	<u>28,699,568</u>	<u>24,394,841</u>
Less Uncollectible Operating Revenues	128,603	107,342
	<u>28,570,965</u>	<u>24,287,499</u>
 Operating Expenses		
Maintenance (Note 13)	4,695,558	4,150,039
Depreciation (Note 14)	5,597,922	5,008,411
Traffic (Note 15)	2,897,165	2,569,546
Commercial (Note 16)	1,513,459	1,316,592
Administrative and Other (Note 17)	3,044,056	2,699,702
	<u>17,748,160</u>	<u>15,744,290</u>
 Operating Taxes		
Income Taxes (Note 18)	4,005,655	3,071,621
Other Taxes	890,476	735,914
	<u>4,896,131</u>	<u>3,807,535</u>
 Total Operating Expenses and Taxes	<u>22,644,291</u>	<u>19,551,825</u>
 Operating Income	5,926,674	4,735,674
 Other Income (Note 19)	234,736	198,304
 Income before Fixed Charges	<u>6,161,410</u>	<u>4,933,978</u>
 Fixed Charges		
Bond Interest	1,653,752	1,515,925
Other Interest	73,169	47,847
Amortization of Intangible Assets	32,460	29,253
	<u>1,759,381</u>	<u>1,593,025</u>
 NET INCOME FOR YEAR	<u>4,402,029</u>	<u>3,340,953</u>

STATEMENT OF RETAINED EARNINGS

for the year ended
December 31, 1966
(with comparative figures
for the year ended
December 31, 1965)

Balance January 1	
Contingent and Insurance & Casualty Reserves	
Net Income for Year	
Dividends — Preferred	
— Common	
Appropriation for Special Refundable Tax	
Miscellaneous Deductions	
Balance December 31	

1966	1965
\$	\$
7,610,897	6,988,146
578,749	—
8,189,646	6,988,146
4,402,029	3,340,953
12,591,675	10,329,099
105,000	105,000
2,946,650	2,602,051
3,051,650	2,707,051
305,353	—
29,444	11,151
3,386,447	2,718,202
9,205,228	7,610,897

SOURCE AND APPLICATION OF FUNDS

for the year ended
December 31, 1966
(with comparative figures
for the year ended
December 31, 1965)

SOURCE OF FUNDS

Internal Sources

Operations:

Net Income For Year

Add Back:

Depreciation

Other Expenses not requiring an
outlay of funds

Salvage and Other Items

Total Internal Sources

External Sources

Bond Issue

Proceeds From Stock Issues

Increase (Decrease) in Deferred Credits —

Employees' Stock Savings Plan

Total External Sources

Total Sources of Funds

1966	1965
\$	\$
4,402,029	3,340,953
5,597,922	5,008,411
632,510	574,678
10,632,461	8,924,042
612,935	712,334
11,245,396	9,636,376
—	7,000,000
6,669,988	843,810
493,272	(352,857)
7,163,260	7,490,953
18,408,656	17,127,329

APPLICATION OF FUNDS

Gross Additions to Plant

Cost of Removing Old Plant

Construction Expenditures

Less Charges to Construction not requiring
an outlay of funds

Dividends

Purchase of additional shares of Subsidiary
Company

Special Refundable Tax

Miscellaneous

Total Funds Applied

17,671,394	11,703,425
285,015	255,849
17,956,409	11,959,274
514,513	414,440
17,441,896	11,544,834
3,051,650	2,707,051
648,000	—
305,353	—
108,515	203,429
21,555,414	14,455,314
(3,146,758)	2,672,015

INCREASE (DECREASE) IN WORKING CAPITAL

**NOTES TO
FINANCIAL
STATEMENTS**

BALANCE SHEET

- (1) **Depreciable Telephone Plant in Service** — buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment, at cost.
Other Telephone Plant — land, plant under construction, property held for future use and other non-depreciable items of plant, at cost.
- (2) **Investments — Subsidiary Company** — 144,000 shares (56%) of common stock in The Island Telephone Company, Ltd. During 1966, The Island Telephone Company, Ltd. earnings were \$1.74 per common share. Statements have not been consolidated because the company is under the jurisdiction of the Board of Commissioners of Public Utilities for the Province of Nova Scotia, whereas The Island Telephone Company, Ltd. is under the jurisdiction of the Public Utilities Commission of the Province of Prince Edward Island.
- (3) **Other Investments** — principally land and buildings not used in providing telephone service.
- (4) **Accounts Receivable** — principally amounts due from customers, after provision for uncollectible accounts of \$40,000.
- (5) **Prepayments** — insurance, cost of directories and other items applicable to subsequent period.
- (6) **Capital Stock** — par value: \$10.00 per share

Authorized:	5,000,000 shares
Issued: Common—as at Dec. 31, 1965	2,767,642 shares
—issued during year	417,131 shares
—as at Dec. 31, 1966	3,184,773 shares
Preferred—7% cumulative	150,000 shares

(7) **Premium on Common Stock—**

Balance at Dec. 31, 1965	\$ 8,262,747
Premium on shares issued during 1966	2,498,678
Balance at Dec. 31, 1966	<u>\$10,761,425</u>

(8) **Long Term Debt—**

Series G Maturing March 15, 1971	3½%	\$ 5,000,000
Series D Maturing April 1, 1971	4%	1,000,000
Series F Maturing July 2, 1972	3%	3,000,000
Series H Maturing July 2, 1972	4½%	2,500,000
Series I Maturing May 1, 1975	3¾%	3,000,000
Series E Maturing July 1, 1976	3%	2,000,000
Series J Maturing September 15, 1978	5¼%	3,500,000
Series K Maturing November 1, 1980	5½%	4,000,000
Series L Maturing June 15, 1983	5½%	5,000,000
Series M Maturing May 1, 1985	5½%	7,000,000
		<u>\$36,000,000</u>

- (9) **Accounts Payable** — amounts owing for supplies, equipment, salaries and other items.

- (10) **Deferred Income Taxes**—arise from claiming maximum capital cost allowances in excess of straight line depreciation charges in calculating taxable income; these deferred credits will be used in future years when straight line depreciation charges exceed maximum capital cost allowances.
- (11) **Employees' Stock Savings Plan** — contributions by employees subscribing for shares of capital stock at Dec. 31, 1966 including interest; shares are issued on the completion of 24 months of contributions.

INCOME STATEMENT

- (12) **Miscellaneous Operating Revenues**—principally from directory advertising.
- (13) **Maintenance** — cost of inspection, repairs and rearrangements required to keep the telephone plant in good operating condition.
- (14) **Depreciation** — charged under the straight line method using component depreciation rates as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.
- (15) **Traffic** — costs, mainly operators' wages, incurred in handling telephone calls.
- (16) **Commercial** — sales expense, advertising, cost of directories and costs incurred in business relations with customers.
- (17) **Administrative and Other** — general office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.
- (18) **Income Taxes** — include the amount of \$900,947 deferred to future years which arises from claiming maximum capital cost allowances in excess of straight line depreciation charges.
- (19) **Other Income** — includes dividends from subsidiary company \$97,200, interest income \$179,297 and miscellaneous income charges.

To the Shareholders,

Maritime Telegraph and Telephone Company, Limited

We have examined the balance sheet of Maritime Telegraph and Telephone Company, Limited, as at 31st. December, 1966, and the related statements of income and retained earnings for the year 1966, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings present fairly the state of the affairs of the Company as at 31st. December, 1966, and the results of its operations for the year 1966, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the Company for the year ended 31st. December, 1966.

Halifax, N. S.

31st January, 1967

LEE & MARTIN,

Chartered Accountants.

THE YEARS IN REVIEW

BALANCE SHEET STATISTICS

	1966	1965	1964
1 Construction Expenditures	\$ 17,956,409	\$ 11,959,274	\$ 12,005,985
2 Telecommunications Plant & Equipment	128,492,251	114,132,445	105,137,159
3 Per Telephone	565	522	509
4 Accumulated Depreciation	33,099,671	30,244,614	27,362,648
5 Preferred Stock	1,500,000	1,500,000	1,500,000
6 Common Stock, Premium & Retained Earnings	52,119,736	44,128,813	42,083,503
7 First Mortgage Bonds	36,000,000	36,000,000	29,000,000
8 Deferred Income Taxes	8,839,306	7,938,359	7,147,796
9 Equity Per Common Share	16.37	15.74	15.52

INCOME STATEMENT STATISTICS

10 Total Operating Revenues	\$ 28,570,965	\$ 24,287,499	\$ 22,127,675
11 Local Service Revenues	15,087,361	12,917,491	12,042,889
12 Toll Service Revenues	12,751,839	10,672,741	9,384,702
13 Total Operating Expense	17,748,160	15,744,290	14,255,862
14 Employee Expense (Salaries, Wages & Benefits)	7,835,092	7,142,252	6,476,873
15 Depreciation Expense	5,597,922	5,008,411	4,556,318
16 Other Operating Expenses	4,315,146	3,593,627	3,222,671
17 Income Taxes	4,005,655	3,071,621	2,872,214
18 Municipal and Other Operating Taxes	890,476	735,914	654,502
19 Bond Interest	1,653,752	1,515,925	1,268,750
20 Other Interest and Fixed Charges	105,629	77,100	59,666
21 Preferred Dividends	105,000	105,000	105,000
22 Income Available for Common Dividends	4,297,029	3,235,953	3,039,513
23 Dividends on Common Shares	2,946,650	2,602,051	2,416,177
24 Return on Total Capital	7.2%	6.3%	6.2%
25 Return on Rate Base	6.3%	5.7%	5.6%
26 Income Per Average Common Share	\$1.44	\$1.18	\$1.15

OTHER STATISTICS

27 Telephones in Service	227,270	218,533	206,752
28 Percent Dial	87.9%	87.1%	87.3%
29 Number of Local Calls	451,160,600	419,746,000	396,467,000
30 Number of Toll Messages	11,187,823	10,768,453	9,820,857
31 Miles of Wire	982,157	860,801	790,641
32 Percent in Cable	90.9%	89.9%	89.7%
33 Salaries & Wages Earned	\$ 10,429,987	\$ 9,062,940	\$ 8,348,804
34 Number of Employees	2,531	2,340	2,168
35 Number of Shareholders	12,643	12,597	12,762
36 Number of Common Shares Outstanding	3,184,773	2,767,642	2,711,388

1963	1962	1961	1960	1959	1958	1957
\$ 11,465,017	\$ 9,931,894	\$ 7,624,540	\$ 8,197,628	\$ 7,790,075	\$ 6,923,635	\$ 6,216,128
95,819,593	85,512,236	77,651,494	71,865,287	66,016,557	59,676,860	53,558,932
485	456	439	430	415	395	372
24,893,193	21,786,479	19,711,067	17,563,440	16,371,343	14,713,239	13,075,706
1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
37,358,243	36,537,912	30,301,564	29,232,532	28,376,749	24,029,710	23,198,813
29,000,000	24,000,000	24,000,000	24,000,000	20,000,000	20,000,000	16,500,000
6,400,750	5,507,272	4,632,955	3,990,168	3,304,557	2,692,800	2,117,610
15.23	15.08	14.74	14.50	14.32	14.29	14.04
\$ 19,981,166	\$ 18,776,459	\$ 17,509,115	\$ 16,208,679	\$ 14,832,483	\$ 13,597,047	\$ 12,584,907
11,301,218	10,825,384	10,130,257	9,440,029	8,828,937	8,249,016	7,762,500
8,017,661	7,399,492	6,903,340	6,533,453	5,778,829	5,133,052	4,647,158
12,924,487	11,697,494	10,845,022	10,273,541	9,570,312	8,949,355	8,371,212
5,990,744	5,509,784	5,141,657	4,977,942	4,714,973	4,578,281	4,379,704
4,080,319	3,508,967	3,208,176	2,952,854	2,676,130	2,396,485	2,028,964
2,853,424	2,678,743	2,495,189	2,342,745	2,179,209	1,974,589	1,962,544
2,597,710	2,664,188	2,528,871	2,259,183	1,971,000	1,642,862	1,504,753
599,596	562,374	531,865	512,579	468,324	435,300	410,310
1,135,174	993,750	993,750	810,417	773,750	636,546	590,000
51,432	27,992	31,869	30,148	37,484	23,605	18,764
105,000	105,000	105,000	105,000	105,000	105,000	105,000
2,748,565	2,729,770	2,494,864	2,313,821	2,030,212	1,872,127	1,707,099
2,197,344	2,010,673	1,828,178	1,795,009	1,458,083	1,330,436	1,307,386
6.2%	6.5%	6.6%	6.4%	6.3%	6.2%	5.9%
5.4%	6.1%	6.2%	5.8%	5.7%	5.8%	5.6%
\$1.13	\$1.22	\$1.23	\$1.16	\$1.15	\$1.12	\$1.04
195,986*	187,536	176,853	167,274	159,115	151,192	144,113
86.9%	86.8%	86.1%	84.6%	82.5%	80.6%	80.2%
375,221,000	361,055,000	348,318,595	333,112,040	314,494,315	303,889,890	289,971,980
9,016,553	8,589,756	8,033,316	7,537,681	6,967,274	6,316,308	6,241,309
714,316	657,249	615,794	577,595	476,983	451,271	423,623
88.9%	88.4%	88.2%	88.3%	86.5%	86.4%	85.8%
\$ 7,466,225	\$ 6,816,913	\$ 6,226,644	\$ 5,980,023	\$ 5,627,369	\$ 5,384,793	\$ 5,067,707
2,086	1,915	1,850	1,828	1,837	1,812	1,856
12,170	12,359	11,754	11,857	11,842	11,093	11,016
2,453,354	2,423,534	2,056,244	2,016,644	1,981,324	1,682,114	1,651,939

*adjusted figure

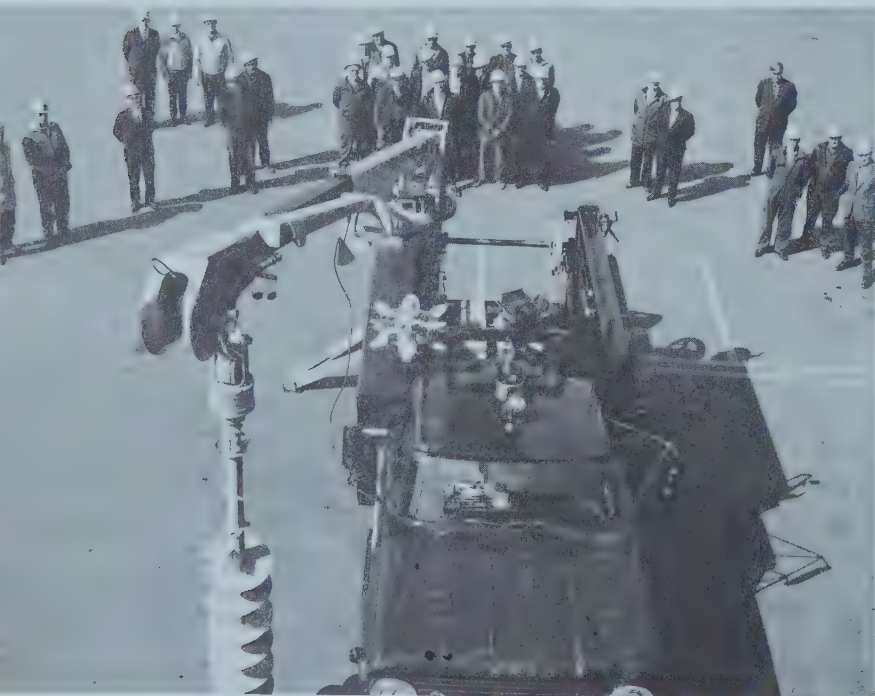
SERVING ALL NOVA SCOTIA

Close to 2,600 men and women throughout Nova Scotia work together to bring modern telephone and telecommunications service to all areas of the Province. This service takes many forms, some shown on these pages; it also touches industries and individuals not directly linked to the telephone industry, but benefiting from it. The skilled and efficient MT&T team is a basic part of expanding Nova Scotia, and contributes to this growth.



IN CONSTRUCTION

Opened for business in early 1966, the Dartmouth Service Centre groups men, vehicles and equipment under a single roof, with ready access to feeder highways to service the fast-growing urban-suburban complex nearby. Similar Service Centres are in Halifax and Sydney, with others planned in other built-up areas.



IN RELATED INDUSTRIES

An open-air training group learns a new method of setting telephone poles. At Company's Howe Avenue facilities, in Halifax, various industries are represented "on course" with a new corner-mount pole-setter. They are (starting at near left) Truro Electric Commission, Avalon Telephone Company, Nova Scotia Power Commission, MT&T, Digby Electric Power Board, Nova Scotia Light and Power, Island Telephone Company.



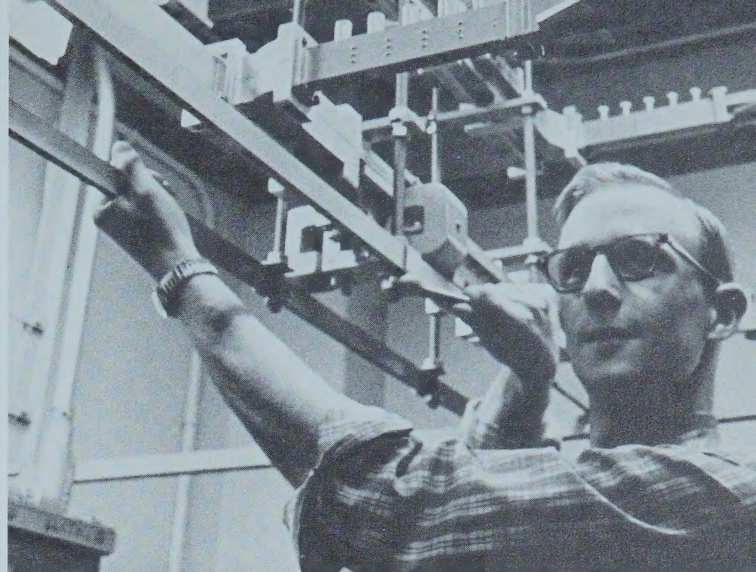
IN VITAL COMMUNICATIONS

Inauguration of commercial service for trans-Atlantic telephone, radio and television transmission via the Department of Transport built Mill Village, N. S., Earth Station was marked by a preview visit by 24 telephone engineers from the eight member companies of the Trans-Canada Telephone System. The visit, in mid-1966, came just prior to launching of a second generation of non-orbiting satellites, one over the mid-Atlantic, the other the mid-Pacific. A third satellite, over the Indian Ocean, will shortly complete a global satellite network.



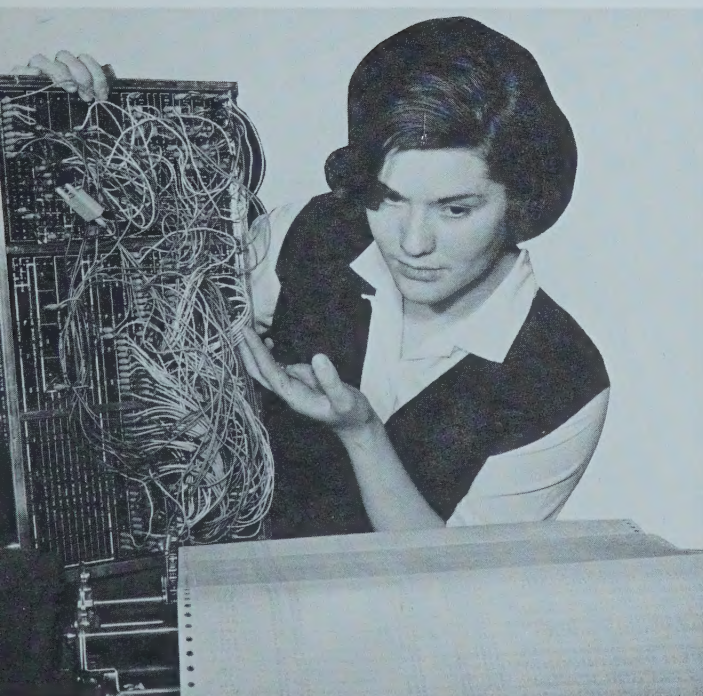
IN TRAINING

Technical training is of paramount importance in today's telecommunications industry, and at MT&T's classrooms young high school graduates are given intensive and varied instruction. Influx of new employees, and the constant need for upgrading skills and knowledge, meant addition of specially-built training facilities during 1966.



IN NEW TECHNIQUES

Technician at Halifax long-distance centre is shown checking special "wave guide" apparatus used in Company microwave facilities throughout the 3,700-mile microwave network serving Nova Scotia. The flat-sided tubing has polished interior surfaces, precisely calibrated, which can carry microwave transmissions up and down towers, through buildings, and into switching equipment and the basic telephone network.



IN NEW SKILLS

Increasing use of the Company's computer facilities has freed many employees from routine work assignments, and enabled these and others to take on added challenges. Here a young programmer demonstrates the complexity of a device which summarizes and "prints out" computered data.



IN THE FUTURE

The typical home telephone set of the future may well look like this. A far cry from the early wall sets, in the background, the Picture Phone has already been publicly demonstrated. Currently, MT&T engineers are constructing a demonstration model — from the internal wiring to the outer case — to be shown at the Company's Centennial Exhibit of Telephone and Telecommunications Progress, at the Halifax Barrington Street business office.



MARITIME TELEGRAPH & TELEPHONE COMPANY, LIMITED · 1966 ANNUAL REPORT

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SUMMER



SHAREHOLDERS'
QUARTERLY
REVIEW

MARITIME TELEGRAPH
AND TELEPHONE
COMPANY, LIMITED



AR52

TO THE SHAREHOLDERS:

Operating revenues for the first six months of 1966 were 12.6% greater than the corresponding period in 1965. Part of the increase is attributable to higher rates that became effective May 1, 1966. Operating expenses increased by 13.5% during the same period.

Construction expenditures for the first half of 1966 amounted to \$8,711,519, an increase of 66% over the \$5,237,272 expended during the first half of 1965. Telephone and other telecommunication plant in service as of June 30, 1966 was \$117,326,965.

Earnings per average common share amounted to 63¢ compared to 59¢ for the first six months of 1965.

During May and June shareholders were offered the right to buy, at a price of \$16 each, one additional share of common stock for each seven shares held. Of the 416,714 shares offered, 412,997 or 99.11% were subscribed thus providing \$6,607,952 of new capital.

President

Halifax, N. S.
July 31, 1966

INTERIM INCOME STATEMENT

	Six Months Ended June 30 1966	1965
	\$	\$
Operating Revenues	13,274,790	11,785,562
Operating Expenses	8,622,171	7,593,794
Income Taxes	1,627,303	1,519,573
Other Operating Taxes	448,276	370,985
Total Operating Expenses & Taxes	10,697,750	9,484,352
Operating Income	2,577,040	2,301,210
Other Income	108,095	86,596
* Total Income	2,685,135	2,387,806
Interest Deductions	881,367	741,621
Income Available for Dividends	1,803,768	1,646,185
Dividends	1,367,505	1,340,697
Balance Transferred to Retained Earnings	436,263	305,488
Earnings per Average Common Share63	.59

CAPITAL EXPENDITURES TO DATE \$8.7 MILLION —A MID-YEAR REPORT

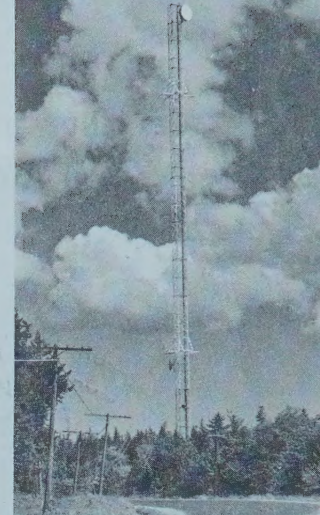
The first six months of 1966 have seen substantial progress in the Company's continuing program to expand and improve service. In more than a half-dozen major fields, construction—some of it begun with snow on the ground—has moved at a quickening pace.

Dial Conversion. In January, Brookfield subscribers had received seven digit dial service. On June 30, the conversion of Hubbard's, French Village and St. Margarets to dial (1,417 telephones) was completed, with scheduled cut-over to dial service for July 10.

Microwave. The first of the company's planned series of short-range radio paths, from Halifax to Kentville, was cut into service in mid-June. This \$557,000 project replaces land-lines and serves the growing needs of valley subscribers, as well as augments the province-wide system of microwave telecommunications.

Central Office Switching Equipment. By the end of June, the addition of 3,120 lines to the Sydney central office was completed. In Halifax, the change over of 1,000 lines from the Lorne exchange ("454") to Bishop exchange ("429"), costing \$700,000, was completed. New Glasgow's addition of 1,560 lines was finished; other additions were in Truro, 1,000 lines; Riverport, 200 lines; Wolfville, 400 lines; Windsor and Sackville 700 lines.

Tallest tower in MT&T microwave network, this 335-foot structure at Ardoise, near Uniacke, links Kentville-Halifax in company's first short-range microwave route.



Direct Distance Dialing. In Halifax, Centralized Automatic Toll-Ticketing (CATT) equipment was being installed for DDD, and 90 long distance circuits—with 22 cordless console operator positions—were being added to the North Street Facilities, in preparation for cut-over to DDD next March.

Throughout the province, other work includes cable-carrier long distance systems linking Bridgewater and Liverpool; the Lenkurt radio system for the Mill Village satellite tracking station; take-over of several connecting companies; cable laying in Sydney, and cable work in Prospect, Kentville and Wolfville.

All of these projects to date, and others not listed, have meant a capital expenditure of \$8.7 million. The year's construction budget is \$18.6 million.

